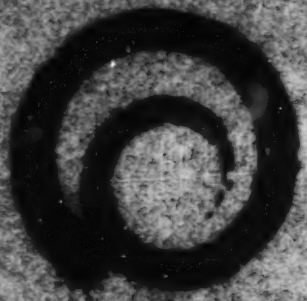
1991 ANNUAL REPORT



SPI
MARKETING
GROUP

93-02752/

1991 ANNUAL REPORT

DIRECTORS

Richard Wright, Wawota	Chairman
Harvey Wagner, Hague	Vice-Chairman
Peter Volk, Tramping Lake	Vice-Chairman
Ben Gaudet, Bellevue	
Irvin Yorga, Flintoft	
Florian Possberg, Burr	
Rick Klassen, Watrous	

ADMINISTRATION

Jim Morris	General Manager
Don Hrapchak	Sales Manager
Ron Belke	Assembly and Transportation Manager
Larry Walker	Controller
Sharon Perkins	Promotions Manager
Monique Tremblay	Technology Transfer Coordinator
Jack McClung	Information Officer/Editor Saskatchewan Pork News

HEAD OFFICE

502 Forty-Fifth Street West
Saskatoon, Saskatchewan
S7L 6H2

1991 MARKETING SUMMARY

	1991	1990
Total Hogs Sold (Saskatchewan Origin)	981,589	961,625
Hogs Settled by Small Plants and Sow Auctions	47,684	39,940
Total Saskatchewan Production	1,029,272	1,001,565
Active Producers	2,915	3,853
Gross Paid to Producers	$115,024,145.00 (1991) $124,209,225.08 (1990)	

Weekly Delivery Highlights

High		
Week ending Dec. 20	22,172	
Week ending Feb. 10		22,023
Pool Price that week	$103.20	$139.10
Low		
Week ending Dec. 27	13,498	
Week ending July 6		15,431
Pool price that week	$100.80	$176.50

Grading Highlights

Average Index (excluding 67's)	104.7	104.4
% hogs grading 101 and over	78.3	78.5
Average hog weight dressed (kg)	81.2	80.5

Price Highlights

Average hog price ($/ckg, dressed, index 100)	$136.89	$154.10
Average gross value per hog	$115.02	$128.16
High Pool price		
week ending May 17	$159.20	
week ending June 9		$187.50
Low Pool price		
week ending Dec. 27	$100.80	
week ending Jan. 6		$120.40

Sow Sales

Number	23,746	22,523
Average Sow price ($/ckg, dressed, #1 Heavy)	$99.80	$114.09
% Total Marketings	2.42	2.34

Boar Sales

Number sold	6,9157	5,838
Average Price	$57.40	$50.03

Note: Prices expressed in dollars per 100 kilograms; weights expressed in kilograms.

"There is a need to be the most efficient producers of top quality pork in the world"

CHAIRMAN'S MESSAGE

There is so much talk about what is wrong with the country. The constitution needs fixing. The economy is in sad shape and politicians lack the public's confidence. Sure there are problems. It is always easy to criticize or find something wrong. It is another thing to do something right. Thankfully, there are people out there doing good things and making things happen.

Being competitive and serving a global marketplace has major implications for any operation, and especially for one like ours. These terms reflect a reality that becomes more pressing every day. There is a need to be the most efficient producers of top quality pork in the world; to slaughter hogs and process pork efficiently; to reduce and remove trade barriers and restrictions; to be aggressive marketers and to effectively serve the customers.

A few years ago our marketing group implemented plans to make us a stronger competitor in the global marketplace. The process is not one which bears fruit overnight. There is a learning curve and there is a price to pay. Our efforts are paying off and we are positioned to move ahead.

The most important thing is to understand that we are part of a system of interdependent elements and to operate in a way which makes the elements which we control fit that system. We have also recognized the need to exercise more control and influence in the system. This we have accomplished by forming partnerships, alliances, by becoming involved in joint ventures, and by purchasing and creating operating activities which fill a void or help us to do a job better.

While marketing is our most important activity, there are also production, policy, and administrative activities. However, whatever we do must have a positive effect on the bottom line for us all.

"The most important thing is to understand that we are part of a system of inter-dependent elements..."

In 1991 the pork industry received a favourable and even precedent setting ruling from the binational panel set up under the Canada — United States trade agreement. This ruling saw the removal of a trade distorting duty on chilled and frozen fresh pork. The difficulties experienced at the border with shipments of pork to the U.S. from Canada were also largely resolved. To facilitate shipments from Saskatchewan and to ease inspection requirements, we entered into a joint venture to establish a clearing station on the Saskatchewan/North Dakota border. We resumed sales to our U.S. customers and ensured access to our biggest and most important market.

In order to diversify our customer base and to take advantage of new opportunities, we initiated sales to Latin America. These sales presented new challenges but along with our partners in these ventures, we have persevered and are seeing some good results.

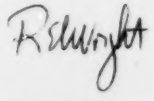
To support our domestic and export sale we expanded our trucking business in 1991. We have found a high level of service achieved largely through the ownership and control of transportation equipment, is essential in selling pork. We supplement our own capabilities with for-hire transportation services.

In any business today, it is necessary to invest in and carry out research and development. We should be proud of our record and our actions. We took a major initiative in providing support for the current expansion and upgrading of the Prairie Swine Centre at Saskatoon. Our commitment to the operation during the first three years was instrumental in raising the necessary amount of capital needed for construction and outfitting the facility. As a result a world class swine research facility will be located in our province. It will focus a major part of it's research on the efficiency of hog production in this region and on the quality of pork for a competitive global marketplace.

To maintain a place in the pork industry today there are a number of other areas which have to be addressed, including environmental and animal care issues. We have taken initiatives and a proactive stance in these areas and we should all be proud of our accomplishments. We struck a committee which carried out a literature survey and then prepared a set of manure management recommendations. Working closely with the government, regulations for our industry were developed. On animal care, we have been working with a national group to update guidelines for the care and handling of swine in a farming. We have also helped form a provincial organization which will be more responsive and provide a much needed, balanced stand to the public.

One of the more frustrating areas of concern is in swine extension. Extension involves a large number of swine stakeholders who must see the benefits, and the need for change if better programs are to be developed. This area will get a lot of attention next year.

We should all be very proud of everyone who gets involved. The staff and employees in Saskatoon and throughout the province are to be commended for the splendid job they do under challenging conditions to gather our hogs, get them to the packing plants, get the products to market, and carry out all the administrative work. We appreciate the help of our suppliers and customers, and the trust they show in us. We thank all the producers who contribute their time to the activities of the SPI Marketing Group. Without a team effort we could not accomplish what we do. However, we must increase our efforts to meet new challenges and an ever changing marketplace.



Richard Wright
Chairman

OPERATIONS SUMMARY

Despite the difficult business conditons of 1991, SPI Marketing Group was able to make significant progress in a number of areas, and meet the challenge to its operations.

The audited financial statement which forms an integral part of the 1991 annual report shows that SPI incurred a small operating loss in 1991. This operating loss was due to poor performance of subsidiary companies, primarily due to loss of access to the US market, and a recession dampened backhaul market. At year end, extremely low hog prices reduced revenue to SPI, and will require careful control of costs combined with avoidance of any unusual expenditures if 1992 is to remain "in the black".

The most significant change affecting individual producers was the introduction of a new grading grid in April. This permitted hogs to be marketed up to 87 kg before the core area was exhausted. The result has been a decrease in the number of hogs under 75 kg., and an increase of the number in the core area. However, more remains to be done in 1992.

SPI assumed majority control of Moose Jaw Packers late in 1991. The decision came in response to our majority partner's desire to gradually withdraw from the business, and to enable a possible expansion to take place in 1992. The company struggled with low by-product and hide values, and a mid-year lack of through-put caused by continuing restricted access to the U.S. market. Although potential sales were again constrained by lack of capacity by late 1991, the company experienced an operational loss.

Krop Transport experienced a poor back-haul market in early 1991, but this changed dramatically as volume expanded, especially to a new export market, and additional equipment (mostly acquired by lease) was added to service expanding opportunity. SPI pork sales were hampered by a lack of specialized "railer" equipment on the "for hire" market. Krop Transport was generating a strong economic performance by year end but this was not sufficient to prevent an overall operating loss.

SPI entered a new joint venture called Portal Clearing Service. This new meat inspection point was built at Portal, North Dakota in co-operation with Cloverdale Foods of Minot, North Dakota, and Moose Jaw Packers. It is designed to reduce access problems to the U.S. Market caused by the U.S. "at border" meat inspection policy, and by harassment by border inspection officials as documented in previous reports.

A new assembly yard was completed at Swift Current, and officially opened in June. This facility was built in co-operation with Saskatchewan Wheat Pool on a site common to their new cattle receiving yard. The new facility became necessary because of expanding production in the area.

The major effort of the year continued to be in the marketing area. This saw:

a) development of a new major export market.

b) a second sale of product to Japan through Moose Jaw Packers.

c) resumption of boar kill at Moose Jaw Packers.

d) a sale of pork meat to Cuba.

e) a major effort to get a second Russian pork sale by year end. The process was frustrated by a defective Canadian government credit. It is noteworthy that grain sales to the former Soviet Union did not suffer this problem.

f) resumption of sales to Cloverdale Foods.

These efforts resulted in having to restrict sales due to a lack of supply, and in SPI being in a "sold-out" position at year end.

I represented SPI as a director of the recently-formed Canada Pork International group. This is a joint producer-packer national group designed to find ways to increase Canada's pork export success abroad, especially in the newly-opened Australian market and the highly competitive Japanese market.

We changed our name from Saskatchewan Pork Producers Marketing Board to SPI Marketing Group on November 15th. This new name is designed to better reflect what we do, and to be more commercial-sounding, especially to our foreign customers. At the same time, we changed banks, so payments could be transferred electronically to producers who want this service. These changes have been positively received.

The SPI head office building in Saskatoon was more fully leased in 1991, although a small amount of vacant space was still available at year end. The rental market in Saskatoon remains soft.

In closing, 1991 proved to be a difficult though rewarding year operationally. I expect 1992 will be even more difficult, but I remain confident that we can capitalize on the many opportunities available to us, and that 1993 will see a return to better times.

Jim Morris
General Manager

"The most significant change affecting individual producers was the introduction of a new grading grid in April."

MARKET REVIEW

1991 was a disappointing year, in terms of hog prices, as the industry entered the low price part of the North American hog cycle. Large increases in U.S. production in the second half of the year negatively impacted the profitability of the pork sector. The large increases in North American pork supplies coupled with a weakened demand due to the sluggish economy attributed to the price downturn.

Marketings through SPI Marketing Group were up approximately 2%, still below the million hog figure. First half sales were down 1.9% as compared to 1990; however, second half production in Saskatchewan was up by 5.7% compared to your earlier figures.

The average price in 1991 was $136.89/ckg. This price was down $17.21/ckg from the previous year. Quarterly average prices were affected greatly by North American marketings. Prices held steady for the first half, then fell dramatically during the third and fourth quarters. The first quarter average price was $145.13/ckg which was followed by a second quarter average price of $152.24/ckg. The third quarter price, usually the highest price of the year, slumped under burdensome supply to average at $139.46/ckg. The decline was well under way, and the fourth quarter average price for the year equalled $111.01/ckg.

Consistent with 1990, SPI maintained a steady flow of live hogs to neighboring provinces and states for slaughter. Since the decision by Intercontinental Packers to downsize it's operation, SPI Marketing Group has been able to market 25% Saskatchewan hogs to Manitoba and Alberta packers. Total U.S. live sales were down from 1990 figures to approximately 58,000 hogs. Due to high countervailing duty deposit rates in late 1991, most sales of live hogs to the United States took place during the first half of the year.

"Two new and exciting markets developed for SPI in 1992, consisting of customers in Cuba and Mexico."

Through Moose Jaw Packers, SPI continued with pork sales to Japan and the United States. The construction of a border inspection point at Portal enabled pork to flow from Moose Jaw packers to a long time customer, Cloverdale Foods, in Minot. In 1991, SPI was also involved in a second program to a Japanese customer. Approximately 25,000 hogs were destined for the Japanese market through this program. Besides the market hogs being handled at Moose Jaw Packers, the long running sow program was continued.

Two new and exciting markets developed for SPI in 1992, consisting of customers in Cuba and Mexico. We are optimistic about the future of these two markets. With the new markets, more of the killing capacity at Intercontinental Packers will be utilized.

Canadian hog production totalled 14.6 million head, just fractionally below a year earlier. Pork exports fell 9.1% to 210.5 million kilograms. Sales of pork to the U.S. were off by 7%. Japanese sales were also lower; however, trade was active by year end. Other markets, Australia, Mexico, and Korea, were emerging as markets with long term potential.

As Saskatchewan produces approximately 60% in excess of provincial domestic consumption, it is in an excellent position as a reliable supplier of pork to the world market. Our pork is lean and of very high quality. Reduction in marketing of light hogs due to the introduction of a revised grading grid in 1992 will further enhance our quality. We are optimistic about our ability to place all pork which producers decide to produce in the future. Our reliabilty of supply is a very important selling factor.

Don Hrapchak
Sales Manager

PORK PROMOTION

Pork Promotion was "targeted" in 1991 to the retail, food service, and health professional sectors on both the provincial and national levels.

The retail program revolved around the launch of the new Pork Retail Merchandising manual. "The manual has 40 pages of innovative merchandising ideas, cutting techniques, and information to stimulate retailers to improve Pork Merchandising." The manual was featured at two retail seminars last spring in Saskatchewan; one for Federated Coop retailers and one for IGA retailers. More seminars are planned for 1992.

A variety of point of purchase materials to stimulate sales were also a big part of the retail program. Infoshelf distribution once again worked with Safeway and other selected retail outlets to distribute four series of recipe card programs. Independent retailers received the same merchandising materials via the Board.

Food service development was keen in 1991. "Today's Pork Reporter" was distributed via a select national mailing and in cooperation with the Saskatchewan meat purveyors with a food service division. New food service materials were developed for the merchandising program. More restaurant promotions were held in 1991 than in any previous year in Saskatoon. The summer resort promotions included more establishments. The high school cafeteria promotions included more cafeterias.

On a national level, the McRib at the MacDonald's chain made a comeback for a four week promotion which was a great success. The Keg restaurant chain held a pork promotion in the month of January in all establishments across the country (three were in Saskatchewan).

More emphasis was placed on community unit health professionals in 1991. On a provincial and national basis, doctors, nutritionists, and dieticians received pork nutrition information for patient or client counselling. Working in cooperation with the Heart and Stroke Foundation and the Cancer Society, three provincial level promotions were held featuring pork.

Another new element was the introduction of the press release program. Press releases were sent out on a quarterly basis to all food writers and daily and weekly papers across Saskatchewan and Canada.

Canadian Western Agribition continued to be a part of our provincial program. The Agri-Educational Showcase provides an opportunity to expose school children and adults to a hands-on learning experience about pork from production to marketing.

The pork promotion expenditure for 1991 was a total of $.34 per hog, including the $.25 per hog contribution to Canada Pork Inc.

Cooperative efforts between the Canada Pork Inc. program and our provincial efforts will continue to provide a strong program in 1992.

Sharon Perkins

Sharon Perkins
Promotions Manager

"More restaurant promotions were held in 1991 than in any previous year in Saskatoon."

1991 DELEGATE ELECTION RESULTS

As official returning officer for the election of five delegates in each of the regions 1,3,5, and 7, my report is as follows:

All nominations for the delegate positions had to be postmarked no later than February 28,1991. The official number of nominations received were:

Region 1 - 4

Region 3 - 5

Region 5 - 5

Region 7 - 5

Each region is allowed five delegates. Since Region One received four nominations and Regions Three, Five, and Seven each received five, elections were not necessary. Therefore, the following nominations are declared delegates by acclamation for their appropriate region.

Region 1

- Irene Cruson, Regina
- Dennis Rutten, Carlyle
- Bryan Tennant, Kipling
- Richard Wright, Wawota

* one vacancy exists in Region 1.

Region 3

- Herb Dunser, Meadow Lake
- Laverne Isaac, Medsted
- Michael O'Driscoll, Cando
- David Ottas, Edam
- Peter Volk, Tramping Lake

Region 5

- Richard Klassen, Watrous
- Dennis Schultz, Churchbridge
- Ron Shaler, Yorkton
- Keith Stephens, Balcarres
- Harvey Thiessen, Watrous

Region 7

- John Kirzinger
- Donald Kolla, Cudworth
- Leon Lueke, Humboldt
- Florian Possberg, Humboldt
- Paul Ulrich, Spalding

Through acclamation, I declare the above named people delegates for their region.

Dated this 3rd day of April 1991

Rudy Friesen

Agriculture Insight Foundation

"In order to diversify our customer base and to take advantage of new opportunities, we initiated sales to Latin America."

RESEARCH COMMITTEE

The Research Committee consisted of the following in 1991:

Ben Gaudet (Chairman), Bellvue

Harold Fast,** Spiritwood

Isaak Cruson, Regina

Roger Begrand,* St. Louis

Brian Tennant, Kipling

Monique Tremblay (Secretary)

** Harold Fast was replaced by Dr. Betty Althouse

* Roger Begrand replaced Keith Stephens of Balcarres of Humboldt as part of the established one member per year membership rotation.

The research committee functions to administer an internal SPI research fund which consists of a 5% share of the service fee for marketing hogs plus documented reserves.

Projects undertaken in 1991 were:

- a study of the relative performance of the U.S. and Canadian feed grain marketing systems from a feed users point of view.
- underwriting of one-third of a founding chair at the Centre for Agricultural Medicine.
- a contribution to Veterinary Infectious Diseases Organization.
- contribution of $25,000 a year to the position of Prairie Swine Centre Director. SPI has also agreed to contribute $25,000 per year for three years to fund a major expansion of the Prairie Swine Centre.
- purchase of an RMF vacuum packaging machine for the Meat Research Lab.
- provision of a scholarship program to students who go abroad and work in hog production.
- a study on lagoon covers through the Prairie Agricultural Marketing Institute.
- sponsored the Saskatchewan Pork Expo (March) and the Pork Industry Symposium (November).

The committee has identified the areas of meat processing, environmental concerns, and farm business management as needing further infrastructure and research in the future.

Ben Gaudet

Chairman

TECHNOLOGY TRANSFER PROGRAM

This year saw the end of the Technology Transfer Program. After five years of operation, the program funded by the Agriculture Development Fund and SPI Marketing Group, came to an end.

The objective of the Technology Transfer Program was to provide quality information to the pork producers in the province. Providing accurate information enables producers to make better management decisions. Program resources over the past five years have been made available to the producers through producer groups, the video tape and book library, the Pork Industry Resource Directory, seminars, and a quarterly newsletter (The Manager).

Producer groups are groups of eight to twelve interested individuals who meet informally to talk about the industry. The producer groups met regularly through the winter to discuss topics of interest to the group. Close to twenty producer groups utilized the resources and resource people available through the program.

One of the most successful projects of the program was the library. Over the five year period it has grown to contain ninety-six video tapes, eight books, and thirteen audio cassettes. Materials from the library have been requested and distributed close to 2,000 times.

The third edition of the Pork Industry Resource Directory was published and distributed in June of 1991. The contents of this edition were expanded to include more of the resources available to producers. Information included groups which supply information business and financial resources, production information, barn location, design and construction services, equipment, stock, herd health services, feed or water services, labour and training programs, and safety supplies to the industry.

Involvement in provincial seminars such as Pork Expo (March 1991) and Pork Industry Symposium (November 1991) continued with much success in 1991. In addition an A.I. school was held in early June.

The Manager newsletter continued to be published this year. The purpose of the newsletter was to contain practical articles on a wide range of management topics and to promote the other activities of the program. A questionnaire on the Manager in late 1990 indicated that respondents found the information both very good and useful.

With the end of the program funding some of the program activities will cease. The Manager newsletter will no longer be printed and financial support for the producer group resource people no longer exists. Fortunately the library of resources, the Pork Industry Resource Directory and the seminars will continue under the support of SPI Marketing Group and the Pork Industry Unit of Saskatchewan Agriculture and Food.

The Technology Transfer Program has been very successful in developing and distributing information to producers. We encourage producers to continue to use the resources that are still available.

Monique Tremblay

"To maintain a place in the pork industry today there are a number of other areas which have to be addressed, including environmental and animal care issues."

1991'S TOP 21 PRODUCERS

Saskatchewan's Top 21 producers were announced at the annual Saskatchewan Pork Industry Symposium Banquet held November 13, Travelodge, Saskatoon.

The recipients are selected by computer which ranks all producers according to average index of all hogs marketed, production category and region. The producer with the highest index in each of the three production categories is named to the Top 21 list. All producers who marketed through the Saskatchewan Pork Producers Marketing Board or through private abattoirs reporting to the Board were eligible.

Average index calculations include all hogs indexing 80 and over; dead or condemned hogs are not included. A minimum of 50 hogs must be marketed to be eligible.

The S.P.P.M.B. congratulates the following producers for their excellent production achievement.

Region	Group	Name	Average Index
1	1500 Plus	Dutch Farms, Regina	109.5013
1	501-1500	Crossroads Co-Op Farm Ltd., Fillmore	108.3445
1	500& Under	Wright-Way Livestock, Oxbow	107.5639
2	1500 Plus	Tompkins Colony, Tompkins	109.4374
2	501-1500	Lane Wright, Moose Jaw	107.9087
2	500& Under	Harold Langendoen, Wymark	108.8524
3	1500 Plus	Kyle Colony, Kyle	109.3799
3	501-1500	Brian R. Donald, Rockhaven	108.3967
3	500& Under	Sawtell Farms, Ltd., Neilburg	109.2723
4	1500 Plus	Riverview Colony, Saskatoon	108.2201
4	501-1500	Lawrence Martinka, Saskatoon	109.4916
4	500& Under	Robert D. Jantzen, Rosthern	107.1673
5	1500 Plus	Stomp Pork Farm, Ltd., Lanigan	107.9770
5	501-1500	Scott Crawford, Simpson	108.9080
5	500& Under	Vern Loewen, Bredenbury	110.8197
6	1500 Plus	DG & NJ Lidster, White Fox	107.3791
6	501-1500	HSB Farms, Kinistino	108.6600
6	500& Under	Kenneth MacDonald, Prince Albert	108.5567
7	1500 Plus	Don Kolla, Cudworth	108.1551
7	501-1500	Florian Possberg, Humboldt	109.1623
7	500& Under	Trevor Hassen, Bruno	109.1393

"We took a major initiative in providing support for the current expansion and upgrading of the Prairie Swine Centre at Saskatoon."

STATISTICAL SUMMARY

Saskatchewan Weekly Pool Prices and Marketings – 1991

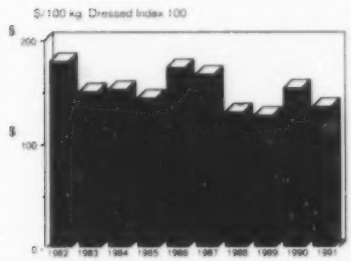
(Market Hogs – $/100 Kilograms, Dressed, Index 100)
(Sows – $/100 Kilograms, Dressed, No. 1, Heavy

Week Ending	Market Hog Pool Price	Sow Pool Price	Deliveries
Jan 04	135.20	82.50	19556
Jan 11	138.20	84.20	18707
Jan 18	142.10	89.70	20680
Jan 25	147.10	95.60	18626
Feb 01	152.40	101.50	18696
Feb 08	149.40	112.30	19350
Feb 15	147.20	115.50	19130
Feb 22	147.10	117.50	17903
Mar 01	142.40	118.40	18413
Mar 08	143.20	113.50	18808
Mar 15	146.40	117.70	18645
Mar 22	148.60	114.20	19610
Mar 29	145.90	114.20	16252
Apr 05	144.60	117.60	19183
Apr 12	143.20	120.70	19434
Apr 19	144.20	122.10	18395
Apr 26	148.20	122.90	18909
May 03	150.50	119.80	17486
May 10	153.10	120.60	18329
May 17	159.20	124.20	18453
May 24	157.70	121.10	17487
May 31	156.50	120.50	19904
Jun 07	152.40	120.50	18947
Jun 14	155.40	121.50	18298
Jun 28	154.50	112.50	18483

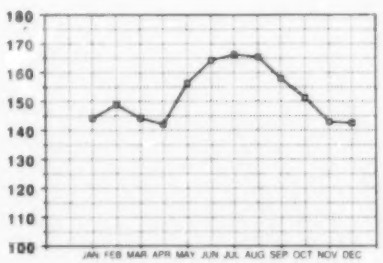
Week Ending	Market Hog Pool Price	Sow Pool Price	Deliveries
Jul 05	144.20	104.60	17067
Jul 12	147.10	103.50	18641
Jul 19	150.10	101.50	18894
Jul 26	153.20	100.50	18194
Aug 02	152.10	102.90	17270
Aug 09	150.00	101.50	16689
Aug 16	142.40	98.50	18023
Aug 23	138.80	94.90	17785
Aug 30	143.30	91.52	18460
Sep 06	126.20	88.40	15307
Sep 13	124.10	88.40	19595
Sep 20	125.20	86.70	17981
Sep 27	128.50	85.70	19080
Oct 04	128.30	85.70	18796
Oct 11	130.10	85.70	19320
Oct 18	122.10	81.20	17250
Oct 25	116.50	81.20	18119
Nov 01	111.40	81.20	20428
Nov 08	108.00	78.90	20217
Nov 15	104.10	77.30	17419
Nov 22	106.10	75.80	20153
Nov 29	104.70	73.60	20815
Dec 06	109.00	71.00	18852
Dec 13	108.50	71.00	20961
Dec 20	103.20	66.10	22172
Dec 27	100.80	66.10	13498

"Consistent with 1990, the Marketing Group maintained a steady flow of live hogs to neighboring provinces and states for slaughter."

Saskatchewan Average Hog Prices
1982-1991



Average Monthly Prices
1982 — 1991

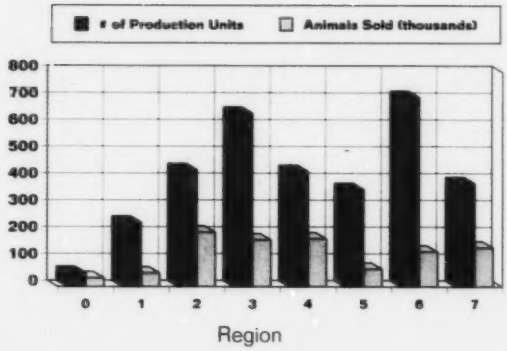


STATISTICAL SUMMARY

Production Units and Sales by Electoral Region

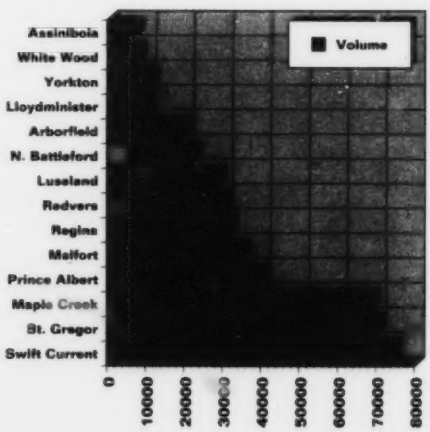
For Period 1/01/91 to 12/31/91

Region	Number of Production Units	Animals Sold
0	52	32,521
1	239	50,579
2	435	202,816
3	646	174,801
4	429	178,615
5	363	65,958
6	706	130,484
7	385	145,815
Total	3,255	981,589



1991 Central Yard Volumes

Swift Current	74,749
St. Gregor	69,731
Maple Creek	68,387
Prince Albert	39,138
Melfort	34,954
Regina	31,233
Redvers	29,665
Luseland	28,352
N. Battleford	21,832
Arborfield	19,513
Lloydminister	13,099
Yorkton	10,768
Whitewood	7,482
Assiniboia	6,830
Total	457,105
Percent total volume	46.8%



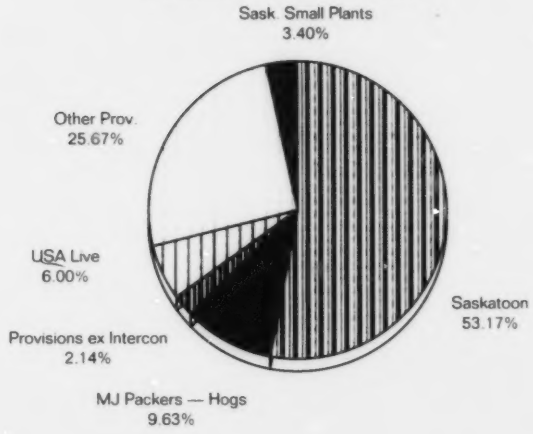
"Through Moose Jaw Packers, SPI continued with pork sales to Japan and the United States."

STATISTICAL SUMMARY

Producer Profile — 1991

Sales	Number of Units	Number of Animals
1-100	1804	47141
101-200	294	42115
201-500	410	131480
501-1000	214	148435
1001-2000	103	138539
2001-4000	42	115338
4001+	48	325047
Total	2915	948095

Destination of Saskatchewan Hogs
Percent of Total — 1991



Tripartite

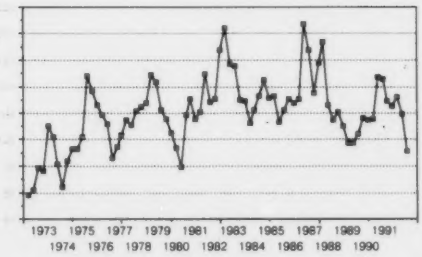
SPI continued to collect premiums and data on contract to the provincial government for the Tripartite hog stabilization program. The Tripartite program, which began in mid 1986, offers producers a floor price based on the cash costs plus 95% of the historical 5 year same quarter average margin, at times of low prices. Producers pay a premium on all hogs marketed (during good times and bad) which are matched by the provincial and federal governments.

1991	Premium (per hog)	Support Level (per ckg*)	Payout (per hog)
Q1	$ 3.70	$138.80	—
Q2	3.70	152.70	—
Q3	3.80	164.09	$16.55
Q4	3.55	139.72	$18.98

*Based on national weighted average price

It is expected that payouts will continue in early 1992 as continued low hog prices are expected.

Pork Board Quarterly Prices
(Beginning to Present)



"Marketings through the SPI Marketing Group were up approximately 2%, still below the million hog figure."

SPI MARKETING GROUP

(FORMERLY SASKATCHEWAN PORK PRODUCERS MARKETING BOARD)

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 1991

OFFICE OF THE PROVINCIAL AUDITOR

REGINA, SASKATCHEWAN

AUDITOR'S REPORT

To the Board of Directors of the
SPI Marketing Group

I have audited the consolidated balance sheet of the SPI Marketing Group as at December 31, 1991 and the consolidated statements of operations and unappropriated equity and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

W. K. Strelioff

Regina, Saskatchewan
March 20, 1992

W. K. Strelioff, C.A.
Provincial Auditor

SPI MARKETING GROUP
(FORMERLY SASKATCHEWAN PORK PRODUCERS MARKETING BOARD)
CONSOLIDATED BALANCE SHEET
As at December 31

	1991	1990
ASSETS		
Current		
Cash	$ 483,862	$ 287,403
Accounts receivable	487,167	165,132
Inventories and Prepaid expenses	226,487	86,280
Due from Producers' Trust Fund	1,550,561	785,841
	2,748,077	1,324,656
Fixed assets (Note 3)	2,723,769	1,454,201
Long term investment	40,987	253,299
Goodwill at amortized cost	581,487	---
	6,094,320	3,032,156
Producers' Trust Fund assets (Note 7)	3,707,541	2,493,994
	$9,801,861	$ 5,526,150
LIABILITIES AND EQUITY		
Current		
Bank loan	$ 57,150	$ ---
Accounts payable		
- trade and accrued liabilities	1,238,406	257,007
- SHARP	---	49,307
- Tripartite scheme	406,915	342,501
- Provision for countervail duty	614,110	---
- Deferred revenue	90,750	---
- Current portion of long term debt (Note 8)	288,298	---
	2,695,629	648,815
Long term debt (Note 8)	969,472	---
	3,665,101	648,815
Producers' Trust Fund liabilities (Note 7)	3,707,541	2,493,994
Equity		
Unappropriated equity (Statement 2)	2,014,673	2,047,505
Reserve (Note 5)	366,546	335,836
Non controlling interest	48,000	---
	2,429,219	2,383,341
	$9,801,861	$ 5,526,150

(See accompanying notes)

Chairman

General Manager

SPI MARKETING GROUP
(FORMERLY SASKATCHEWAN PORK PRODUCERS MARKETING BOARD)
CONSOLIDATED STATEMENT OF OPERATIONS AND UNAPPROPRIATED EQUITY
For the Year Ended December 31

	1991	1990
Revenue:		
Marketing levy (Note 4)	$ 1,234,217	$ 1,263,226
Central yard	1,800,440	1,639,932
Transit insurance premiums	346,330	366,789
Transportation	999,286	791,144
Processing sales	605,418	---
Interest	98,401	180,750
SHARP net administration revenue	17,960	68,804
Rent	51,292	61,452
Sundry	122,719	107,955
Tripartite revenue	86,899	---
Total revenue	5,362,962	4,480,052
Expenditure:		
General (Schedule A)	2,356,014	1,681,409
Central yard operations (Schedule A)	1,751,529	1,651,720
Transportation (Schedule A)	999,438	735,441
Transit insurance operations	203,832	228,436
Total expenses	5,310,813	4,297,006
Income from operations	52,149	183,046
Investment (loss) income from investment accounted for on equity method	(57,700)	44,077
Non controlling interest	3,429	---
Net (loss) income for the year	(2,122)	227,123
Unappropriated equity at beginning of year	2,047,505	1,850,311
	2,045,383	2,077,434
Appropriated (Note 5)		
Research reserve	(30,710)	(29,929)
Unappropriated equity at end of year (Statement 1)	$ 2,014,673	$ 2,047,505

(See accompanying notes)

SPI MARKETING GROUP
(FORMERLY SASKATCHEWAN PORK PRODUCERS MARKETING BOARD)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31

	1991	1990
Cash provided by (used in) operating activities:		
Net income (loss) for the year	$ (2,122)	$ 227,123
Adjustments for items not involving cash (receipts) or payments		
- investment (income) loss	57,700	(44,077)
- depreciation and amortization	234,589	160,800
- loss (gain) on disposal of fixed assets	2,623	16,860
- non controlling interest	(3,429)	---
	289,361	360,706
Net change in non-cash working capital balances, related to operations (Note 10)	429,945	712,563
Cash provided by (used in) operating activities	719,306	1,073,269
Cash provided by (used in) investment activities:		
Purchase of investment	(24,881)	---
Capital expenditures	(241,777)	(341,005)
Dividend income - Moose Jaw Packers (1974) Ltd.	---	17,000
Proceeds on sale of fixed assets	50,000	3,557
Purchase of subsidiary companies net assets (Note 9)	(750,000)	---
Cash (used in) investment activities	(966,658)	(320,448)
Cash provided by (used in) financing activities:		
Long term debt received	495,833	---
Repayment of long term debt	(109,172)	(398,233)
Cash provided by (used in) financing activities	386,661	(398,233)
Net increase (decrease) in cash during the year	139,309	354,588
Cash position, beginning of year	287,403	(67,185)
Cash position, end of year	$ 426,712	$ 287,403
Represented by:		
Cash	$ 483,862	$ 287,403
Bank loan	(57,150)	---
	$ 426,712	$ 287,403

(See accompanying notes)

SPI MARKETING GROUP
(FORMERLY SASKATCHEWAN PORK PRODUCERS MARKETING BOARD)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1991

1. Authority

The Saskatchewan Pork Producers Marketing Board was established by Order in Council 59/84 pursuant to section 14 of The Natural Products Marketing Act to market hogs in Saskatchewan. Effective January 1, 1991, the Natural Products Marketing Act Was repealed and the Board continues under section 34 of the Agri-Food Act.

Effective September 4, 1991, The Saskatchewan Pork Producers Marketing Board's name was changed to SPI Marketing Group pursuant to Order in Council 809/91.

2. Summary of Significant Accounting Policies

These financial statements report the levies charged and the Board's activities in the use of those levies.

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Board and the following subsidiaries:

Name	% of Shares Held
Krop Transport Ltd.	100.0
Greiner Holdings Ltd. (for the period October 1, 1991 to December 31, 1991)	100.0
Moose Jaw Packers (1974) Ltd. (for the period October 1, 1991 to December 31, 1991) - including 50% held by Greiner Holdings Ltd.	83.3

On October 1, 1991, the Board acquired the share of Greiner Holdings Ltd. Greiner holds a 50% interest in Moose Jaw Packers (1974) Ltd.

b) Long Term Investment

The investment in Moose Jaw Packers (1974) Ltd. was accounted for on equity method up to September 30, 1991.

The long term investment as at December 31, 1991, consists of a 50% interest in Portal Clearing Services. This investment is also accounted for on the equity method.

c) Fixed Assets

Fixed assets are recorded at cost and depreciated on a straight line basis, over their estimated useful lives. The rates of depreciation range from 5% to 20% per annum.

d) Producers' Trust Fund

The Producers' Trust Fund was established to collect funds from hog buyers and then to remit these proceeds net of deductions for shipping, insurance, Board levies and other charges, to the producer.

e) Transit Insurance

The Board administers a program of self-insurance with respect to transportation of hogs. In accordance with this program the Board receives premiums from producers and makes payments in settlement claims resulting from the loss of hogs in transit. Any surplus/deficit in this program becomes the Board's revenue or expenditure each year.

f) Inventories

Inventories are stated at the lower of cost and net realizable value.

g) Goodwill

Goodwill is being amortized on a straightline basis at a rate of 16% per annum.

3. Fixed Assets

	1991			1990
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 147,530	$ ---	$ 147,530	$ 186,159
Buildings	2,551,806	724,029	1,827,777	866,338
Equipment	1,611,523	863,061	748,462	401,704
Total	$4,310,859	$1,587,090	$2,723,769	$1,454,201

4. Marketing Levy

A marketing levy is retained by the Board representing 1.2% of the gross value of hog sales (1.3% effective May, 1991).

Central yard revenue includes $293,587 (1990 - $298,549) of marketing levy as well.

In addition, the Board collects National Tripartite scheme (Tripartite) levies and Saskatchewan Hogs Assured Returns Program (SHARP) levies from the producers and remits these levies to the respective programs. These levies are not treated as revenue of the Board. During the year the Board collected the SHARP and tripartite levies from the producers totalling $3.7 million. The Board remits these levies to the program administrators on quarterly basis.

5. Reserve

A reserve was established by the Board to fund research, promotion and producer education. An amount equal to a portion of the marketing levy designated by the Board less the related research expenses has been appropriated from the unappropriated equity to this reserve annually by the Board.

Reserve Balance

	1991	1990
Balance, January 1	$ 335,836	$ 305,907
Appropriated during year	30,710	29,929
Balance, December 31	$ 366,546	$ 335,836

6. Bank Loan

The bank loan consists of a line of credit. The loan is secured by a fixed and floating charge on the assets of Moose Jaw Packers (1974) Ltd. This loan is also guaranteed by the shareholders of Moose Jaw Packers (1974) Ltd. Interest is payable monthly at bank prime plus 1%.

7. Producers' Trust Fund

During the year the Trust Fund collected $115,024,145 on sale of Hogs and Pork, and paid to producers, or made payments on behalf of producers, amounting to $115,024,145.

Trust Fund assets and liabilities at the year end were as follows:

	1991	1990
Trust fund assets		
Cash	$ 995,586	$ 567,754
Accounts receivable	2,217,199	1,656,037
Processed pork for resale	494,756	270,203
	$3,707,541	$2,493,994
Trust fund liabilities		
Accounts payable - Producers	$1,720,886	$1,333,013
- Others	436,094	375,140
Due to Board	1,550,561	785,841
	$3,707,541	$2,493,994

8. Long Term Debt

Repayment Terms	Interest Rate	Amount
a) $23,004 per annum up to March 1, 1992 when balance is payable	11½%	$350,731
b) $18,048 per annum up to September 1, 1996 when balance is payable	13½%	344,456
c) $22,250 per annum payable on March 31	interest free	66,750
d) $24,996 per annum	prime + 1½%	45,833
e) $200,000 on or before October 1, 1992 $150,000 on or before October 1, 1993 $100,000 on or before October 1, 1994	interest free	450,000
		1,257,770
Less Current Portion		288,298
		$ 969,472

Securities and Other Terms

a) First mortgage on land and buildings owned by Moose Jaw Packers (1974) Ltd. and general security covering all other assets owned by Moose Jaw Packers (1974) Ltd.

b) Second mortgage on land and buildings owned by Moose Jaw Packers (1974) Ltd. and general security covering all other assets owned by Moose Jaw Packers (1974) Ltd.

c) In case of default interest payable based on 90 day Treasury Bills yield.

d) Secured by a fixed and floating charge debenture on assets owned by Moose Jaw Packers (1974) Ltd.

e) The vendor of Greiner Holdings Ltd. is carrying this loan under the term of the Purchase Contract.

In addition, loans a), b) and d) have been guaranteed by the shareholder's of Moose Jaw Packer's (1974) Ltd.

9. Purchase of Subsidiary Companies' Net Assets

Working capital	$ (44,459)
Investment	17,524
Fixed assets	1,291,837
Goodwill	604,655
Assumption of debt	(871,109)
Investment purchase in prior years and accounted for using the equity method	(197,017)
	801,431
Less: Non-controlling interest	51,431
	$ 750,000

10. Non-Cash Working Capital Changes

	1991	1990
Accounts receivable	$ (322,035)	$ 85,503
Prepaid expenses	(140,207)	(12,214)
Due from trust	(764,720)	1,063,148
Accounts payable	1,701,366	(423,874)
	474,404	712,563
Adjustment for working capital acquired on purchase of subsidiaries	(44,459)	---
	$ 429,945	$ 712,563

11. Commitments

Commencing January 1, 1991, the Board has agreed to contribute to the construction of a feeder barn at the Prairie Swine Centre. The maximum annual commitment for this project is $250,000 for three years. The Board has also agreed to contribute annually $20,000 for three years to the VIDO Swine Research Chair.

12. U.S. Countervailing Duty

During the year the board received a refund of $614,110 from U.S. authorities for countervailing duty paid by the producers on U.S. Pork Exports. This refund will be used to offset countervailing duties that producers may be assessed on live hog exports to U.S. between 1985 and 1991. At the year end the amount of such duties cannot be determined. Accordingly, the refund of $614,110 has been shown as liability of the Board. Any amounts remaining from this refund will be returned to the producers.

Schedule A

SPI MARKETING GROUP
(FORMERLY SASKATCHEWAN PORK PRODUCERS MARKETING BOARD
SCHEDULE OF EXPENDITURE
For the Year Ended December 31

	1991	1990
GENERAL		
Advertising and producer information	$ 59,954	$ 59,886
Automobile and travel	47,906	64,342
Building rent and maintenance	120,626	59,284
Directors' and delegates' expense	96,560	103,412
Communications	78,786	92,816
Computer services and maintenance	65,797	87,440
Depreciation and amortization	117,260	66,230
Interest and bank charges	42,926	54,119
Printing, postage and stationery	79,360	71,853
Professional services	13,495	4,980
Salaries and employee benefits	917,071	491,032
Sundry	150,879	95,422
Canadian Pork Council fees	94,134	84,052
Grants, dues and related expenditures	61,298	70,294
Pork promotions	308,172	276,247
Product handling costs	101,790	---
	$ 2,356,014	$ 1,681,409
CENTRAL YARD OPERATIONS		
Depreciation	$ 57,802	$ 46,764
Salaries and employee benefits	182,383	160,110
Trucking	1,111,503	1,079,518
Yard rentals	175,148	204,576
Property taxes and utilities	54,928	46,690
Repairs and maintenance	71,447	33,415
Other	98,318	80,647
	$ 1,751,529	$ 1,651,720
TRANSPORTATION		
Trucking	$ 728,626	$ 470,702
Repairs and maintenance	71,346	89,398
Salaries and employee benefits	42,542	47,449
Brokers fees	39,368	41,001
Depreciation	59,039	47,806
Insurance and licenses	47,081	25,074
Other	11,436	14,011
	$ 999,438	$ 735,441